INFORMATION FROM YOUR ACCOUNTS

This Help Sheet helps you fill in boxes on:

- **Page SE2 of the Self-employment Pages to give details of your income and expenditure, and**
- **Page SE4 of the Self-employment Pages to give details of your balance sheet, if you have one.**

It does not give guidance on which expenses are allowable for tax purposes. If you need advice on this topic you should ask for *Help Sheet IR222: How to calculate your taxable profits.*

The box numbers mentioned in this Help Sheet are references to boxes in the Self-employment Pages. Look up the box numbers in the Notes to the Self-employment Pages for more information.

— Partnership Tax Return

The Help Sheet will also help you fill in the Trading Pages of the Partnership Tax Return.

The box numbers on the Trading Pages of the Partnership Tax Return are the same as those on the Self-employment Pages of the personal Tax Return (except where specifically noted).

WHAT DOES THIS HELP SHEET COVER?

If you have business accounts, and your annual turnover (that is, all the money earned in your business before deducting business expenses) is £15,000 or more for a full year, you must fill in boxes 3.14 to 3.52 and, if you have a balance sheet, boxes 3.93 to 3.109 - the 'standard accounts information'.

This Help Sheet provides guidance on how to fill in the boxes from the figures in your accounts and answers some of the more common questions that arise from doing this.

WHAT IS 'STANDARD ACCOUNTS INFORMATION' (SAI)?

SAI is a self-contained summary of your accounts which you complete as part of your Tax Return. It provides a comprehensive summary of your trading and profit and loss account or your income and expenditure account, and your balance sheet. Also it shows what adjustments you have made to arrive at your profit for tax purposes.

WHAT IF THERE ARE NO ACCOUNTS?

If you are not intending to have accounts prepared, the Notes to the Self-employment Pages provide guidance to help you calculate your business profit, the adjustments you may need to make for tax purposes and how to fill in the SAI boxes.

Remember, you must keep records of all your business transactions. Leaflet *SA/BK3* available from the Orderline helps you decide what records to keep.

WHAT IF ANNUAL TURNOVER IS LESS THAN £15,000?

If your annual turnover before adding any balancing charges is less than £15,000 you do not need to fill in the SAI section. Instead you can fill in the shortened income and expenses section on Page SE1 of the Self-employment Pages or page 2 of the Partnership Tax Return - boxes 3.11 to 3.13.

Remember, if your accounts do not cover a period of 12 months the £15,000 threshold is adjusted proportionately. For example, if your accounts covered only eight months the threshold would be £10,000 (that is, £15,000 x 8/12).

MUST ACCOUNTS AND TAX CALCULATIONS BE SENT IN?

No. There is no longer a requirement for you to submit business accounts, or tax calculations based on them, with your Tax Return unless you are a partnership with a turnover of £15 million or more.

Normally the SAI gives all the information the Inland Revenue needs to know about your business for the purpose of deciding whether to make an enquiry into your Tax Return.

WHAT IF THERE ARE THINGS TO DRAW ATTENTION TO?

For most businesses this information will enable you to present a full and fair picture of your business for tax purposes. If there are any points needing further explanation enter details in the 'Additional information' box on Page SE4 of the Self-employment Pages or page 4 of the Partnership Tax Return.

In some larger or more complex businesses additional information given in the Return may not be enough to provide a means of adequate disclosure. The submission of further information, including perhaps accounts and supporting calculations, may be considered necessary. For example, where:

- a large business has substantial turnover, **or**
- a business is complex (perhaps because it is in a highly specialised trade), **or**

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- accounts or calculations are needed for a proper understanding of the figures.

Remember to fill in Page SE2 and, if you have a balance sheet, Page SE4 of the Self-employment Pages or, in the case of a partnership, pages 3 and 5 of the Partnership Tax Return as well.

WHERE TO START

As well as your accounts you may find it useful to have your business records available when you complete the SAI section of your Return.

There are no hard and fast rules, but you should be consistent from one year to the next. It will help you next year if you keep a note of which accounts figures you enter in which SAI boxes.

Remember, the purpose of completing these boxes is to present the accounts information as clearly and informatively as the standard format allows.

FILLING IN THE BOXES

Here are some suggestions:

- unless your accounts are very simple, or they have been drawn up using SAI headings, it is probably best not to write any figures in the Self-employment Pages until you are sure of the final amounts to put in each box
- start by transferring the business turnover shown in your accounts to boxes 3.16 and 3.37
- go through the expenses shown in your accounts and note against each one the number of the box in which you think it should be entered. If, for whatever reason, an expense causes difficulty leave it initially and go on to the next item
- once you have looked at every item in the accounts go back to the ones for which you could not make an immediate decision. The notes that follow should help you decide what to do
- make sure that every figure from your accounts is included somewhere in the SAI boxes, and included only once.

WHAT TO DO IF THERE ARE EXPENSES IN THE ACCOUNTS THAT ARE NOT SPECIFIED IN THE SELF-EMPLOYMENT PAGES

The general guidance explains what each box is broadly intended to include and gives some examples of common types of expense which are usually appropriate to each. But inevitably there will be some expenses that the SAI format does not readily accommodate. In these cases you will have to judge how best to present your figures.

Consider whether the expense can be swept up into one of the SAI headings. For example, the expense of training courses could, depending on the circumstances, be included under the general heading of employee costs.

Some types of expense might be included under alternative SAI headings depending on the type of business and the precise nature of that expense. But whichever treatment you adopt, you should be consistent from one year to the next.

If the expense is of a one-off or unusual nature, or if you want, for any reason, to draw particular attention to it, or to the tax treatment you have adopted, give details in the 'Additional information' box on Page SE4 of the Self-employment Pages (or page 4 of the Partnership Tax Return).

If there is no suitable heading or the amounts involved are immaterial use the 'Other expenses' box (box 3.50).

Do not change the descriptions printed on the Tax Return. Use the 'Additional information' box if you need to write anything outside the boxes.

WHAT SHOULD BE INCLUDED UNDER 'OTHER EXPENSES'?

If the expenses you include here are material by reference to the total amount of business expenses, consider the need to explain what is included by making a note in the 'Additional information' box in order to make your figures clear.

There is no precise definition of what is or is not material, but as a general rule, if the inclusion or exclusion of an item might affect judgements that the Inland Revenue, or anyone else who uses the information in your Tax Return, might make, the item should be considered as material.

Avoiding unnecessary use of the 'Other expenses' box, and explaining the main items you have included may help avoid enquiries being made into your Tax Return.

WHAT TO DO IF ACCOUNTS INCLUDE AS A SINGLE ITEM EXPENSES THAT MAY NEED TO BE SHOWN SEPARATELY IN THE SELF-EMPLOYMENT PAGES

If the expenses are virtually all of one type, there is no objection to categorising the whole expense under the main heading. For example, your accounts may include an entry for 'Bank charges and interest' that consists almost entirely of bank charges. If so, put the whole amount in box 3.48.

But you should divide the expenses between different headings if the amounts involved are material, or it would be misleading if they were all included under one heading. For example, if your accounts include a single entry for 'travel and entertainment' you should distinguish the amount of the entertainment expenses, include it in the entry in box 3.44 and make sure this is disallowed for tax by entering the disallowable part in box 3.26. The remainder of the expenses relating to travel costs should be entered in box 3.43, and any disallowable part of that expense, for example private travel costs, should be shown in box 3.25.

Consider keeping these amounts separate when the next accounts are prepared.

In cases where the taxable profit or loss is not affected and the amounts involved are not material by reference to the total expenditure, no objection would normally be made if you decide to estimate the split between the SAI boxes. For example, if your accounts include an item for 'insurance' of say £300, and you know that about £200 was the premium for insuring the business premises and the remainder was other insurance costs, wholly allowable for tax, include £200 under 'Premises costs' (box 3.39) and £100 under 'General administrative expenses' (box 3.41).

WILL WRONG ENTRIES BE PENALISED?

In many cases there will be an element of choice in how you complete the SAI boxes and there will be no right or wrong answer.

But you must take reasonable care to ensure that your Tax Return is completed accurately. Errors arising from fraudulent or negligent conduct that give rise to a loss of tax will be subject to penalties.

EXAMPLES

The rest of this Help Sheet contains examples to show you how to fill in the SAI boxes on Pages SE2 and SE4 of the Self-employment Pages (or pages 3 and 5 of the Partnership Tax Return).

Example 1, starting on page 4, gives details from the trading and profit and loss account and balance sheet of a snack bar, Jack's Snacks. Pages 5 and 6 show how the Self-employment Pages can be completed. Jack is not intending to do the tax calculation himself.

Example 2, on pages 7 and 8, deals with a business, Harry Cooper Business Services. A balance sheet was not drawn up, so there is no need to fill in boxes 3.93 to 3.109 in the Self-employment Pages.

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EXAMPLE 1 - JACK'S SNACKS

Trading and profit and loss account for the year ended 30 June 1999

Sales		93,808	*see box 3.16 and Note 1*
Opening stock	2,200		
Purchases	42,578		
	44,778		
Closing stock	2,450	42,328	*see box 3.33*
Gross profit		51,480	
Rents received		2,327	*see Note 2*
Bank interest		92	*see box 3.37*
		53,899	
Wages and salaries	11,014		*see box 3.38*
Rent and rates	3,946		*see box 3.39*
Insurance	794		*see Note 3*
Light and heat	1,335		*see box 3.39*
Cleaning	328		*see Note 3*
Repairs and maintenance	1,577		*see box 3.40*
Printing, postage and stationery	79		*see box 3.41*
Telephone	204		*see Note 4*
Motor expenses	1,266		*see Note 4*
Advertising	240		*see box 3.44*
Legal and professional	70		*see box 3.45*
Accountancy	866		*see box 3.45*
Bank and credit card charges	809		*see box 3.48*
Sundries	236		*see box 3.50*
Hire purchase interest	484		*see box 3.48*
Depreciation	6,648		*see box 3.49*
Profit on disposal of assets	(1,089)		*see box 3.49*
VAT surcharge	351		*see Note 5*
		29,158	
Net profit		£24,741	

Balance sheet at 30 June 1999

Fixed assets			
Freehold property		34,032	*see box 3.94*
Furniture and equipment		4,232	*see Note 6*
Motor vehicles		23,701	*see box 3.93*
		61,965	
Current assets			
Stock	2,450		*see box 3.95*
Debtors and prepayments	3,197		*see box 3.96*
Cash in hand and at bank	6,808		*see Note 7*
	12,455		
Current liabilities			
Trade creditors	2,080		*see box 3.100*
Other creditors	10,627		*see box 3.102*
Accruals	4,372		*see box 3.100*
	17,079		
Net current liabilities		4,624	
Total net assets		57,341	*see box 3.104*
Capital account			
At 1 July 1998		47,080	*see box 3.105*
Capital introduced		6,734	*see box 3.107 and Note 8*
Profit for the year		24,741	*see box 3.106*
		78,555	
Drawings		(21,214)	*see box 3.108*
		57,341	*see box 3.109*

Note 1 Goods taken from the business for personal use and not paid for amount to £1,520. This amount should be included as part of business turnover and is therefore added to the net profit by entering the figure in box 3.54.

Note 2 Rents received are for a part of the premises not used for business purposes. It has been agreed that they can be treated as business income for tax purposes. They are included in box 3.37 but no adjustment is made in box 3.58, and there is no need to include this figure in the Land and Property Pages as it is fully accounted for here.

Note 3 Insurance costs and cleaning costs all relate to the business premises.

Note 4 50% of telephone costs and 35% of motor expenses are for private, non-business use. These amounts are not allowable for tax. The amounts of £102 and £443 go in boxes 3.23 and 3.24.

Note 5 A VAT surcharge of £351 was incurred. This amount is included under 'Other expenses' in box 3.50. It is not an allowable expense for tax purposes, and is therefore disallowed by including the amount in box 3.32. Although the amount is relatively small it is material, because it is not allowable for tax purposes. A note has therefore been made in the 'Additional information' box to explain the tax treatment.

Note 6 Furniture and equipment used in the business premises are included in box 3.93, 'Plant, machinery and motor vehicles'.

Note 7 The cash and bank balances are not separated in the accounts, but the business records show that the bank balance was £6,085 and cash in hand was £723.

Note 8 An endowment policy matured during the year and the proceeds of £6,734 were paid into the business. A note of the source of these funds is given in the 'Additional information' box.

Income and expenses - annual turnover £15,000 or more

You must fill in this Page if your annual turnover is £15,000 or more - read the Notes, page SEN2

If you were registered for VAT, do the figures in boxes 3.16 to 3.51, include VAT? **3.14** ☐ or exclude VAT? **3.15** ✓

	Disallowable expenses included in boxes 3.33 to 3.50	Total expenses
		Sales/business income (turnover) **3.16** £ 93,808
• Cost of sales	**3.17** £	**3.33** £ 42,328
• Construction industry subcontractor costs	**3.18** £	**3.34** £
• Other direct costs	**3.19** £	**3.35** £
		box 3.16 *minus* (box 3.33 + box 3.34 + box 3.35) **Gross profit/(loss)** **3.36** £ 51,480
		Other income/profits **3.37** £ 2,419
• Employee costs	**3.20** £	**3.38** £ 11,014
• Premises costs	**3.21** £	**3.39** £ 6,403
• Repairs	**3.22** £	**3.40** £ 1,577
• General administrative expenses	**3.23** £ 102	**3.41** £ 283
• Motor expenses	**3.24** £ 443	**3.42** £ 1,266
• Travel and subsistence	**3.25** £	**3.43** £
• Advertising, promotion and entertainment	**3.26** £	**3.44** £ 240
• Legal and professional costs	**3.27** £	**3.45** £ 936
• Bad debts	**3.28** £	**3.46** £
• Interest	**3.29** £	**3.47** £
• Other finance charges	**3.30** £	**3.48** £ 1,293
• Depreciation and loss/(profit) on sale	**3.31** £ 5,559	**3.49** £ 5,559
• Other expenses	**3.32** £ 351	**3.50** £ 587
	Put the total of boxes 3.17 to 3.32 in **box 3.53 below**	total of boxes 3.38 to 3.50 **Total expenses** **3.51** £ 29,158
		boxes 3.36 + 3.37 *minus* box 3.51 **Net profit/(loss)** **3.52** £ 24,741

Rent received and interest received. The interest received is shown as a deduction from net profit at box 3.58. The rent is not deducted (see Note 2 to the accounts).

Other expenditure is made up of sundries, £236, and the VAT surcharge (see Note 5 to the accounts).

Tax adjustments to net profit or loss

	total of boxes 3.17 to 3.32 **3.53** £ 6,455
• Disallowable expenses	
• Goods etc. taken for personal use and other adjustments (apart from disallowable expenses) that increase profits	**3.54** £ 1,520
• Balancing charges	**3.55** £
	boxes 3.53 + 3.54 + 3.55 **3.56** £ 7,975
Total additions to net profit (deduct from net loss)	
• Capital allowances	**3.57** £ 5,250
• Deductions from net profit (add to net loss)	**3.58** £ 92
	boxes 3.57 + 3.58 **3.59** £ 5,342
	boxes 3.52 + 3.56 *minus* box 3.59 **3.60** £ 27,374
Net business profit for tax purposes (put figure in brackets if a loss)	

Adjustment for 'own goods'.

Capital allowances claimed on the car and other business assets - from box 3.69

The part of any expenditure that is not allowable for tax purposes is entered in the appropriate box in the left hand column. The total is added to the net profit to arrive at the profit for tax purposes

This is the income included in box 3.37 that is not treated as trading income and which needs to be returned elsewhere in your Tax Return. The bank interest received is shown as a deduction from net profit by entering it in box 3.58. This income should then be included on page 3 of your Tax Return (or the equivalent section in the Partnership Tax Return).

Class 4 National Insurance Contributions

• Tick this box if exception or deferment applies	3.89	
• Adjustments to profit chargeable to Class 4 National Insurance Contributions	3.90	£
Class 4 National Insurance Contributions due	3.91	£

Subcontractors in the construction industry

• Deductions made by contractors on account of tax (you must send your SC60s/CIS25s to us)	3.92	£

Summary of balance sheet

Leave these boxes blank if you do not have a balance sheet

Assets	• Plant, machinery and motor vehicles	3.93	£ 27,933	
	• Other fixed assets (premises, goodwill, investments etc.)	3.94	£ 34,032	
	• Stock and work in progress	3.95	£ 2,450	
	• Debtors/prepayments/other current assets	3.96	£ 3,197	
	• Bank/building society balances	3.97	£ 6,085	total of boxes 3.93 to 3.98
	• Cash in hand	3.98	£ 723	3.99 £ 74,420
Liabilities	• Trade creditors/accruals	3.100	£ 6,452	
	• Loans and overdrawn bank accounts	3.101	£	total of boxes 3.100 to 3.102
	• Other liabilities	3.102	£ 10,627	3.103 £ 17,079

Net business assets (put the figure in brackets if you had net business liabilities) — box 3.99 *minus* box 3.103 — 3.104 £ 57,341

Represented by

Capital Account

• Balance at start of period*	3.105	£ 47,080	
• Net profit/(loss)*	3.106	£ 24,741	
• Capital introduced	3.107	£ 6,734	
• Drawings	3.108	£ 21,214	
• Balance at end of period*			total of boxes 3.105 to 3.107 *minus* box 3.108 — 3.109 £ 57,341

* If the Capital Account is overdrawn, or the business made a net loss, show the figure in brackets.

Tax deducted from trading income

• Any tax deducted (excluding deductions made by contractors on account of tax) from trading income.	3.120	£

Note: box numbers 3.110 to 3.119 are not used

Additional information

Box 3.50 includes £351 VAT surcharge which has been disallowed for tax purposes (in box 3.32).

Capital introduced (box 3.107) was financed with the proceeds of a maturing endowment policy.

Source of capital introduced explained in the 'Additional information' box.

Now fill in any other supplementary Pages that apply to you.
Otherwise, go back to Page 2 of your Tax Return and finish filling it in.

See Note 5.

EXAMPLE 2 - HARRY COOPER BUSINESS SERVICES

Profit and loss account for the year ended 30 April 1999

Work done		82,331	*see box 3.16 on page 8*
Interest		615	*see box 3.37 on page 8*
Commission		133	*see box 3.16 on page 8*
		83,079	
Expenditure			
Staff salaries	13,955		*see box 3.38 on page 8 and Note 6*
Subcontract expenses	5,705		*see box 3.38 on page 8*
Rent, rates and water	9,940		*see box 3.39 on page 8*
Heat and light	494		*see box 3.39 on page 8*
Printing, stationery and postage	1,479		*see box 3.41 on page 8*
Repairs and computer maintenance	776		*see box 3.40 on page 8*
Insurance	1,257		*see Note 1*
Telephone	2,352		*see box 3.41 on page 8*
Motor vehicle expenses	8,286		*see box 3.42 on page 8*
Entertaining	237		*see box 3.44 on page 8*
Training courses	699		*see box 3.38 on page 8*
Subscriptions and journals	312		*see box 3.41 on page 8*
Legal and professional fees	902		*see box 3.45 on page 8*
Finance and HP interest	345		*see box 3.48 on page 8*
Bank charges and interest	2,461		*see Note 2*
Hire of equipment	1,248		*see Note 3*
Cleaning	692		*see Note 4*
Sundries	604		*see box 3.50 on page 8*
Depreciation	3,200		*see box 3.49 on page 8*
Loss on sale of vehicle	900		*see box 3.49 on page 8*
		55,844	
Net profit		£27,235	

Note 1 Insurance includes £758 professional indemnity cover, which is entered in box 3.45. The balance includes various items and has been entered in box 3.41 in line with general guidance. This treatment will be followed consistently, from year to year.

Note 2 Bank charges and interest are shown in the accounts as a composite figure. This amount comprises £1,687 for interest and £774 for bank charges. These amounts are shown separately in boxes 3.47 and 3.48.

Note 3 Equipment hire covers cost of renting office equipment including a photocopier and fax. It is included in 'General administrative expenses' in box 3.41.

Note 4 The business records show that £531 cleaning is for the business premises. The balance includes various small one-off expenses. As almost all the expenditure is for the business premises, and the whole amount of £692 is allowable for tax it can simply be included as part of 'Premises costs' in box 3.39.

Note 5 Capital allowances of £2,062 are claimed on the car, and other business assets.

Note 6 Staff salaries include Harry's own wages of £5,000.

Income and expenses - annual turnover £15,000 or more

You must fill in this Page if your annual turnover is £15,000 or more - read the Notes, page SEN2

If you were registered for VAT, do the figures in boxes 3.16 to 3.51, include VAT? **3.14** ☐ or exclude VAT? **3.15** ☑

	Disallowable expenses included in boxes 3.33 to 3.50	Total expenses
		Sales/business income (turnover) **3.16** £ 82,464
• Cost of sales	**3.17** £	**3.33** £
• Construction industry subcontractor costs	**3.18** £	**3.34** £
• Other direct costs	**3.19** £	**3.35** £
		Gross profit/(loss) box 3.16 *minus* (box 3.33 + box 3.34 + box 3.35) **3.36** £ 82,464
		Other income/profits **3.37** £ 615
• Employee costs	**3.20** £ 5,000	**3.38** £ 20,359
• Premises costs	**3.21** £	**3.39** £ 11,126
• Repairs	**3.22** £	**3.40** £ 776
• General administrative expenses	**3.23** £ 260	**3.41** £ 5,890
• Motor expenses	**3.24** £ 2,704	**3.42** £ 8,286
• Travel and subsistence	**3.25** £	**3.43** £
• Advertising, promotion and entertainment	**3.26** £ 237	**3.44** £ 237
• Legal and professional costs	**3.27** £	**3.45** £ 1,660
• Bad debts	**3.28** £	**3.46** £
• Interest	**3.29** £	**3.47** £ 1,687
• Other finance charges	**3.30** £	**3.48** £ 1,119
• Depreciation and loss/(profit) on sale	**3.31** £ 4,100	**3.49** £ 4,100
• Other expenses	**3.32** £	**3.50** £ 604
Put the total of boxes 3.17 to 3.32 in **box 3.53 below**		**Total expenses** total of boxes 3.38 to 3.50 **3.51** £ 55,844
		Net profit/(loss) boxes 3.36 + 3.37 *minus* box 3.51 **3.52** £ 27,235

Tax adjustments to net profit or loss

	total of boxes 3.17 to 3.32
• Disallowable expenses	**3.53** £ 12,301
• Goods etc. taken for personal use and other adjustments (apart from disallowable expenses) that increase profits	**3.54** £
• Balancing charges	**3.55** £
Total additions to net profit (deduct from net loss)	boxes 3.53 + 3.54 + 3.55 **3.56** £ 12,301
• Capital allowances	**3.57** £ 2,062
• Deductions from net profit (add to net loss)	**3.58** £ 615
	boxes 3.57 + 3.58 **3.59** £ 2,677
Net business profit for tax purposes (put figure in brackets if a loss)	boxes 3.52 + 3.56 *minus* box 3.59 **3.60** £ 36,859

Commission included as part of business income.

Interest received.

A trader's own wages are not allowable business expenses (Note 6).

Premises costs includes £692 cleaning (Note 4).

Expenditure which is not allowable for tax purposes is identified in these boxes. The Notes to the Self-employment Pages give guidance on how to calculate these amounts.

Includes bank charges of £774.

Capital allowances from box 3.69 (Note 5)

This is the income included in box 3.37 that is not treated as trading income and which needs to be entered elsewhere in your Tax Return. The bank interest received is shown as a deduction from net profit by including it in box 3.58. This income should then be included on page 3 of your Tax Return (or the equivalant section in the Partnership Tax Return).

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.